



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Salem Township
Tuscarawas County
8276 Stonecreek Road
Newcomerstown, Ohio 43832

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Tuscarawas County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

April 12, 2000

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$21,944	\$24,457	\$46,401
Intergovernmental	57,341	68,716	126,057
Licenses, Permits, and Fees	0	450	450
Earnings on Investments	1,920	1,229	3,149
Other	194	54	248
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	81,399	94,906	176,305
Cash Disbursements:			
Current:			
General Government	69,239	0	69,239
Public Works	0	72,826	72,826
Health	0	6,191	6,191
Debt Service:			
Redemption of Principal	0	5,064	5,064
Interest and Fiscal Charges	0	806	806
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	69,239	84,887	154,126
Total Cash Receipts Over Cash Disbursements	12,160	10,019	22,179
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	20,593	64,753	85,346
Fund Cash Balances, December 31	<u>\$32,753</u>	<u>\$74,772</u>	<u>\$107,525</u>
Reserves for Encumbrances, December 31	<hr/>	<hr/>	<hr/>
	\$0	\$0	\$0

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$18,537	\$17,663	\$36,200
Intergovernmental	33,964	63,977	97,941
Licenses, Permits, and Fees	0	475	475
Earnings on Investments	1,397	1,344	2,741
Other	5,266	0	5,266
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	59,164	83,459	142,623
Cash Disbursements:			
Current:			
General Government	52,659	0	52,659
Public Works	0	60,391	60,391
Health	0	3,960	3,960
Debt Service:			
Redemption of Principal	0	5,098	5,098
Interest and Fiscal Charges	0	1,261	1,261
Capital Outlay	0	381	381
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	52,659	71,091	123,750
Total Cash Receipts Over Cash Disbursements	6,505	12,368	18,873
Fund Cash Balances, January 1	14,088	52,385	66,473
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$20,593</u>	<u>\$64,753</u>	<u>\$85,346</u>
Reserves for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

The notes to the financial statements are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Salem Township, Tuscarawas County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including public health and public works services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Motor Vehicle License Tax Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

2. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$7,525	\$30,346
Certificates of deposit	<u>100,000</u>	<u>55,000</u>
Total deposits	<u>\$107,525</u>	<u>\$85,346</u>

A. Deposits

Deposits are either insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$71,571	\$81,399	\$9,828
Special Revenue	<u>86,270</u>	<u>94,906</u>	<u>8,636</u>
Total	<u>\$157,841</u>	<u>\$176,305</u>	<u>\$18,464</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,172	\$69,239	\$4,933
Special Revenue	<u>151,023</u>	<u>84,887</u>	<u>66,136</u>
Total	<u>\$225,195</u>	<u>\$154,126</u>	<u>\$71,069</u>

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1998 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,189	\$59,164	\$9,975
Special Revenue	77,500	83,459	5,959
Total	\$126,689	\$142,623	\$15,934

1998 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$63,687	\$52,659	\$11,028
Special Revenue	130,436	71,091	59,345
Total	\$194,123	\$123,750	\$70,373

During 1999 and 1998, certain Township's expenditures were not certified by the Clerk until after incurring the obligation, contrary to Ohio Revised Code § 5705.41(D).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

5. CAPITAL LEASE

The Township entered into a capital lease agreement to finance the acquisition of a backhoe. The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum payments at December 31, 1999.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998
(Continued)

5. CAPITAL LEASE (Continued)

<u>Year</u>	<u>Backhoe Lease</u>
2000	\$5,870
2001	5,870
2002	<u>1,468</u>
Total minimum lease payments	13,208
Less amount representing interest	<u>(867)</u>
Present value of future minimum lease payments	<u><u>\$12,341</u></u>

6. RETIREMENT SYSTEM

Elected officials and full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

7. RISK MANAGEMENT

The Township has obtained commercial insurance to cover public official's liability risk.

The Township is a member of the Ohio Township Association Risk Management Authority (the Authority). The Authority assumes the risk of loss up to the limits of the Township's policy. The Authority may assess supplemental premiums. The following risks are covered by the Authority:

- General liability and casualty
- Public officials' liability
- Vehicle
- Property coverage

The Township also provides health insurance to employees through the County's health insurance carrier.

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Salem Township
Tuscarawas County
8276 Stonecreek Road
Newcomerstown, Ohio 43832

To the Board of Trustees:

We have audited the accompanying financial statements of Salem Township, Tuscarawas County, Ohio, (the Township) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated April 12, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-41279-001.

We also noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 12, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 12, 2000.

Salem Township
Tuscarawas County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

April 12, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 1999-41279-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states, in part, that no subdivision or taxing unit shall make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same....has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirements:

- A) Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

- B) If the amount involved is less than \$1,000, the Clerk may authorize payment through a Then and Now Certificate without the affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Of the sixty transactions tested, 11 expenditures in 1999 and 27 expenditures in 1998 were not certified by the Clerk prior to obligating Township monies. Neither of the above exceptions were used for these transactions.

By not properly certifying expenditures, the Township could overspend its appropriations. The Township should establish policies to ensure that expenditures are properly certified in accordance with the Ohio Revised Code.



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OFFICE OF THE AUDITOR

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SALEM TOWNSHIP

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 16, 2000**